



March 18, 2014

California Department of Water Resources
Division of Integrated Regional Water Management
Financial Assistance Branch

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Subject: **San Diego IRWM Region Suggestions for Process Improvements (Proposition 84-Round 3)**

Dear Mr. Wallace and Mr. Eusuff,

The San Diego Regional Water Management Group (RWMG), representing the San Diego Integrated Regional Water Management (IRWM) Program, enjoyed participating in the Process Improvement Workshops. Our region and the State continue to benefit from DWR's efforts to encourage integrated regional strategies for water management. This letter represents the collective suggestions of our RWMG and our 34-member Regional Advisory Committee (RAC) on process improvements for the Proposition 84-Round 3 solicitation.

We also want to thank DWR for incorporating some of the suggestions we made prior to the Proposition 84-Round 2 solicitation. In our December 2011 letter, we had recommended that DWR review each region's progress toward accomplishing their IRWM Plan Update prior to the next funding cycle. We appreciate that DWR has adopted *Appendix H: Plan Review Process* of the November 2012 *IRWM Guidelines*, and is currently implementing that process. Additionally, we had recommended that DWR more clearly define "critical water supply and water quality" needs of DACs. Although the definition included in the Round 2 solicitation did not incorporate stormwater pollution, flood management, and other issues that affect impoverished urban areas (as requested), we appreciate that "critical" was defined and examples given that we could then convey to our regional stakeholders.

Our preliminary suggestions for Round 3 improvements include:

1) Award Full Allocation to Each Hydrologic Region Per Proposition 84

Public Resources Code (PRC) §75027 specifies the allocation of funding for each hydrologic region as identified in the California Water Plan (called "Funding Areas"), including designating \$91 million to the San Diego Funding Area. PRC §75028(a) directs DWR to "allocate grants on a competitive basis within each identified hydrologic region". PRC §75028(b) further obligates

DWR to disburse the remainder of each Funding Area's allocation at the time of DWR's final Proposition 84 grant cycle provided that the submitted funding proposal(s) implement the approved region's adopted IRWM Plan and meet the Proposal Solicitation Package (PSP) requirements.

In the final grant cycle for the Proposition 84 grant program, DWR should distribute the full legislative allocation per funding area as in PRC §75027 and PRC §75028(b). Our strong preference is for one final round of grant funding, for the entire \$450 million (\$472.5 million minus \$21.8 million additional funding for round 2). If the entire remaining amount of Proposition 84 grant funding is not made available in Round 3, maximum amounts for each Funding Area should be clearly established, competition should be limited to within Funding Areas, and funding recommendations should stay within those maxima. Clearly setting and managing expectations for funding availability will help to maintain transparency, confidence, and commitment to the statewide IRWM Grant Program.

2) Distribution of "Expedited" Grant Funding

Because an "expedited" round of Proposition 84 IRWM grant funding to address drought response was approved by the legislature (AB 103 and SB 104; approved by the Governor on March 1, 2014), DWR should not use its traditional proposal solicitation/review process to award those funds. As demonstrated through Rounds 1 and 2, the timeline for awarding grant funds is approximately one year for our region's project selection and proposal development process, along with two additional years from the time the grant proposals are submitted to final execution of a grant contract. For example:

- (1) our project selection process takes up to 10 months¹ (Round 1 = Jun-Oct 2010; Round 2 = Mar-Dec 2012),
- (2) preparing and submitting the proposal takes approximately 3 months (Round 1 = Nov 2010-Jan 2011; Round 2 = Jan-Mar 2013),
- (3) release of the final awards takes up to 11 months (Round 1 = Jan-Aug 2011; Round 2 = Apr 2013-Feb 2014),
- (4) receipt of the award letter takes up to 2 months (Round 1 = Aug-Sept 2011; Round 2 = Feb 2014),
- (5) contract negotiations and execution can take over 1 year (Round 1 = Oct 2011-Dec 2012; Round 2 tbd).

For a truly "expedited" round of funding, DWR should establish maximum funding amounts proportional to the Funding Area allocations in Proposition 84 (refer to PRC §75027), award "block grants" of funds to planning regions that are part of a Funding Area that comprises one eligible region or has an adopted/executed funding agreement, and then implement a simplified proposal review per PRC §75026 before releasing the funds. The proposal submitted by a planning region would explain what type of projects it plans to fund and demonstrate how the projects satisfy the requirements established in SB 104 concerning projects that are eligible for funding. This would allow the regions in an eligible Funding Area to solicit, select, award and

¹ The San Diego Region has developed this inclusive, transparent process over three rounds of implementation grant funding applications. We have found it takes this long since this is the stage of the process that involves active outreach to stakeholders and the community in general. It's also the stage at which project integration is encouraged in the design of projects to be submitted for grant funding.

contract for those drought response projects directly. A region that receives block grant funding through its Funding Area would agree to report the actual projects it funds to DWR within 60 days of the grant award, along with task-oriented budgets and schedules for each project.

As an alternative, to streamline the grant review process for “expedited” funding, DWR might give preference to projects that satisfy the requirements of SB 104 and have been funded in a previous round of IRWM grant funding. In this case, a region may propose a previously funded project for additional funding in the emergency drought relief round, and refer to the details of the previous application for information concerning evaluation.

As established in PRC §75026, DWR’s “expedited” proposal review would be limited to the Proposition 84 eligibility criteria: (1) be consistent with an adopted IRWM plan or its functional equivalent as defined in the IRWM Guidelines; (2) provide multiple benefits; and (3) contribute to DWR’s program preferences. An ‘expedited’ process would eliminate redundant effort associated with proposal solicitation/ review and grant administration, move the “expedited” funds out quickly to projects that mitigate drought impacts, and reduce DWR’s workload.

3) Streamline Proposals for Non-Competitive Funding Areas in Non-Emergency Situations

Even in a non-emergency grant award situation, DWR should streamline the proposal requirements for non-competitive Funding Areas (Funding Areas in which the planning regions agree on how they will divide the available funding and reflect that agreement in their grant applications). The Tri-County Funding Area Coordinating Committee (Tri-County FACC), which includes all three regions within the San Diego Funding Area, has an MOU adopted by all nine RWMG agencies that outlines our commitment to inter-regional coordination, development of cross-watershed projects, and equitable allocation of the Proposition 84 bond funding. Our grant applications will be aligned with our agreed-upon allocation, will not exceed the Round 3 maximum, and will not be competitive. This mutual agreement will enable DWR to honor our approved regional project selection processes and review our grant proposals in a more streamlined manner. A streamlined proposal could be limited to basic contracting materials and eliminate excessive technical and economic analysis.

Offering a streamlined grant proposal process for non-competitive Funding Areas will encourage regional cooperation, coordination, and collaboration between IRWM regions throughout the State, reduce the time commitment and cost of doing a grant application, and reduce DWR’s workload.

4) Defer to Regional Project Selection Process

DWR’s Round 3 application scoring process should defer to regional project selection processes in non-competitive Funding Areas, where they are conducted through open and transparent stakeholder committees. Those regions that establish stakeholder-driven project selection committees, such as San Diego, are implementing robust scoring and vetting of their project suites prior to submittal to DWR. While we agree with DWR’s efforts to ensure funding of truly integrated water resources projects, there is no need for additional extensive scoring and ranking of proposals in such regions. Proposition 84 (PRC §75028(a)) states that DWR:

“shall defer to approved local project selection and review projects only for consistency with the purposes of §75026.”

As directed in PRC §75026, DWR should request only information necessary to confirm consistency of grant application project(s) with the local IRWM Plan, multiple benefits, and

DWR's program preferences, along with any Memorandum of Understanding (MOU) adopted by the region or Funding Area. Extensive development of supporting information and attachments beyond those necessary to comply with the Public Resources Code should be eliminated.

Because of the broad differences among regions throughout the state, individual regions should be able to specify their own regional priorities for the available grant funding. Regions in arid Southern California may choose to focus on local supply development, while foothill and Central Valley regions may choose to focus more on integrated flood management – both are priorities for the State but should be implemented differently based on local context. Recent legislative bills, such as AB1249 and SB1049, are not helpful in that they attempt to dictate set-asides for specific water management priorities that may or may not be relevant in all regions.

Deferring to the regional project selection process will avoid duplication of effort for regions that execute a robust project selection process, reduce the time commitment and cost of doing a grant application, and reduce DWR's workload.

5) Allow for Response to DWR's Questions/Evaluation

In Rounds 1 and 2, DWR reviewers have at times missed or misinterpreted the information presented for individual projects within a package. This can result in mis-scoring of an application and release of draft award recommendations that do not reflect the true quality and value of a funding request. To prevent this from occurring in future rounds, we request that DWR institute a "feedback loop" after release of the proposal evaluations and before release of the draft awards. By releasing the evaluations first, separate from the funding awards, regions would be able to respond to DWR's questions and evaluation by pointing reviewers to the information provided. These clarifications may result in rescoring and prevent draft awards that are mis-aligned. We recognize that this would extend the timeline for release of awards and contracting, but believe this is essential for transparent and valid award of the remaining Proposition 84 grant funds.

6) Reduce Excessive Economic Analysis

The requirement for detailed economic analysis in the Round 1 and 2 solicitations resulted in burdensome costs and processes for the regions. Not only is it difficult and costly for the lead agency to develop the economic analysis, it also requires a high level of information from the local project sponsors during the solicitation process. This is particularly burdensome for non-governmental organizations (NGOs) that in some cases rely on limited revenue streams and disadvantaged communities (DACs) who wish to participate in IRWM programs.

This economic analysis requirement is excessive, particularly for regions not in direct competition due to documented Funding Area agreements. We request consideration of a streamlined grant application process that does not include detailed economic analysis for regions and Funding Areas that are non-competitive and that have used a collaborative, valid, and transparent method of prioritizing their project lists.

To make the economic analysis more reasonable for competitive regions, please consider modifying these sections to allow simplified analysis that still accomplishes the intent of the Proposition 84 bond language. For example, if a project's funding match is larger than the grant request (>100% funding match), it clearly demonstrates a minimum 1:1 cost-benefit ratio in terms of State vs. local dollars spent on project implementation. DWR should also consider allowing this simplified criterion to justify project benefits. As an alternative, DWR might

consider phased analysis to demonstrate each project's cost benefit. For example, if a water conservation program can be shown to reduce per capita water consumption and therefore the benefits associated with purchasing less imported water supplies are greater than the costs associated with implementation of the water conservation program, then the required documentation should be limited to a simple cost-benefit analysis. Detailed analysis of avoided costs and other intangible cost savings should only be required if necessary to demonstrate cost effectiveness or if competition between regions within a Funding Area dictates more rigorous scoring.

Reducing the excessive economic analysis to a qualitative discussion or simplified cost-benefit analysis – as has been implemented by other State agencies for other Proposition 84 chaptered grant programs – will reduce the costs incurred by IRWM regions for Round 3 proposals, and reduce DWR's workload.

7) Expand Eligible Project Types to Include Innovative Solutions

We request expansion of the list of eligible project types in the Round 3 solicitation to include “potable reuse, including groundwater recharge and reservoir augmentation.” Throughout the State, IRWM regions are exploring various forms of potable reuse to diversify supply sources and meet regional demands. Such projects will be essential contributors to our regional IRWM Plan objectives in the coming years.

We also request that DWR expand the list of eligible project types to include “research and development, strategic planning, and pilot/demonstration projects” that explore innovative new ways to manage local water resources. These types of projects will set the stage for implementation of capital projects in the future, but are in need of funding to establish feasibility and regulatory precedent now. We suggest that up to 20% of the remaining Proposition 84 funding be made available to projects that explore innovative solutions to water resource issues, but may have uncertain quantifiable benefits. Clarification may be needed on how to represent and evaluate benefits of innovative projects, including inclusion of the future potential benefits of such efforts. DWR must also develop a way to capture the benefits of the knowledge and technology transfers that result from such projects. As a regional planning effort, the IRWM program is best suited to foster the development of projects that offer new and innovative approaches for addressing regional issues. We need DWR's support to move beyond the current paradigm of funding only ‘shovel-ready’ projects in order to pursue supply diversification for our future. DWR must clarify that such projects are eligible for grant funding.

For innovative projects, such as conservation rebates, research and development, and strategic planning, the Work Plan and Budget templates in the Round 1 and 2 solicitations were cumbersome. Because that template was set up to address capital projects, it was difficult to articulate the scope of work for in innovative project. We suggest that DWR provide a second, alternate task list for use in the Work Plans and Budgets of other efforts that would be more streamlined. For example, such a task list might include stakeholder involvement tasks instead of construction and permitting tasks.

Conclusion

We appreciate the open process used by DWR to receive comments and suggestions about process improvements. We have mirrored this transparency by asking our RAC for their input on this issue and incorporating their comments in this letter. We have also continued our commitment to on-going coordination with the Tri-County FACC by working together on comments of mutual interest.

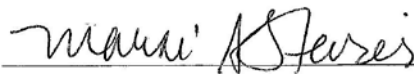
Again, we are looking forward to continuing to partner with DWR on the development of our IRWM Program and implementation projects.

Sincerely,

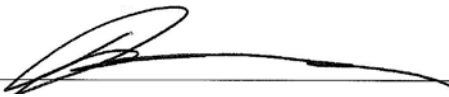
San Diego Regional Water Management Group



Ken Weinberg, Director of Water Resources
San Diego County Water Authority



Marsi Steirer, Deputy Director, Public Utilities Department
City of San Diego



Troy Bankston, Deputy Director, Department of Public Works
County of San Diego

Cc:

Regional Advisory Committee

Regional Water Management Group

- Ken Weinberg (co-Chair) and Toby Roy, San Diego County Water Authority
- Marsi Steirer (co-Chair) and Cathy Pieroni, City of San Diego
- Troy Bankston and Sheri McPherson, County of San Diego

Water Supply

- Michael Bardin and Bill Hunter, Santa Fe Irrigation District
- Cari Dale and Mo Lahsaie, City of Oceanside
- Mark Umphres, Helix Water District
- Jennifer Sabine and Ron Mosher, Sweetwater Authority
- Kim Thorner and Joey Randall, Olivenhain Municipal Water District

Water Quality

- Crystal Najera, City of Encinitas and Ligeia Heagy, City of Vista
- Joe Kuhn, City of La Mesa
- Travis Pritchard and Mallory Watson, San Diego CoastKeeper
- Leigh Johnson and Loretta Bates, University of California Cooperative Extension

- Bob Kennedy, Otay Water District and Metro Joint Powers Authority
- Mike Thornton, San Elijo Joint Powers Authority

Natural Resources and Watersheds

- Rob Hutsel and Jim Peugh, San Diego River Park Foundation
- Ronald Wooton, Buena Vista Lagoon Foundation
- Al Lau and Arne Sandvik, Padre Dam Municipal Water District
- Kimberly O'Connell, UCSD Clean Water Utility
- Patrick Crais, California Landscape Contractors Association

DAC/Environmental Justice

- Jennifer Hazard, AlterTerra
- Dave Harvey and Natalie Smith, Rural Community Assistance Corporation

Other Members

- Dennis Bowling, Floodplain Management Association
- Anne Bamford and Lisa Skutecki, Industrial Environmental Association
- Eric Larson, San Diego County Farm Bureau
- Tribal – open
- Katie Levy, San Diego Association of Governments
- Linda Flournoy, SDSU Center for Regional Sustainability
- Robyn Badger and Kelly Craig, Zoological Society of San Diego

Regulatory / Tri-County FACC (Non-Voting)

- Laurie Walsh, San Diego Regional Water Quality Control Board
- Jack Simes and Greg Krzys, U.S. Bureau of Reclamation
- Denise Landstedt, Rancho California Water District
- Marilyn Thoms and Mary Anne Skorpanich, County of Orange
- John Simpson, USMC Camp Pendleton